



RISK GOVERNANCE POLICY (Extract of section on Committees)

Approving Authority	Board of Directors		
RBI Seven Theme Category	Risk	Area	Enterprise Risk
Note No.	2023-24/2	Meeting Date	October 25, 2023
Note Type	Existing Policy		
Product	Bank Level		
Executive Summary			
Statutory Circulars	<ul style="list-style-type: none"> Governance requirements as laid out in various RBI guidelines on Risk Management in Banks. 		

Policy Approval Committee	
Approving Committee (Board level)	Board of Directors
Recommending Committee (Board level)	Risk Management Committee of the Board (RMCB)
Recommending Committee (Management)	Enterprise Risk Management Committee (ERMC) or through any Risk Committee which is chaired by the Managing Director/CEO
Policy Owner	Chief Risk Officer
Review Frequency	At least annually

Sd/-
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 Ujjivan Small Finance Bank Ltd.

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1. Introduction, Scope & Objectives

Ujjivan Small Finance Bank (hereinafter referred to as “the Bank”) aims to operate within an effective risk management framework to actively manage all the risks faced by the Bank, in a manner consistent with its risk appetite. The Bank aims to establish itself as an industry leader in the management of risks, and strive to reach the efficient frontier of risk and return for itself and its shareholders, consistent with its risk appetite¹.

This document aims to establish a risk culture and risk governance framework to enable identification, measurement, mitigation and monitoring/reporting of risks within the Bank in line with the following guiding principles:

- Establish a governance framework to ensure an effective oversight, segregation of duties, monitoring and management of risks in the Bank.
- Introduce and document the concept of ‘Three Lines of Defence’ approach to Risk Management.
- Lay down guiding principles for setting up and monitoring of Risk Appetite Framework and Risk Appetite Statements.

¹ Please refer ‘ICAAP policy’ for detailed risk appetite statements

- Establish effective MIS to capture the aggregation of exposures and risk measures across business lines and to support customised identification of concentrations and emerging risks
- Lay out standards for timely and risk focused reporting.
- Assign clear accountability and responsibility for management and mitigation of all material risks.
- Minimizing losses and customer dissatisfaction due to failures in processes
- Adhere to the guidelines / policies concerning risk management specified by the Reserve Bank of India and other binding regulatory authorities.
- Ensure adequate internal controls over risk and create frameworks to actively mitigate risks. Facilitate effective risk monitoring and reporting practices across the organization.
- Ensuring to take account of the relevant risk factors and the internal capital adequacy assessments basing on the Bank's overall risk profile. The effectiveness of the Bank's risk management systems is in identifying, assessing / measuring, monitoring and managing various risks including interest rate risk in the banking book, liquidity risk, concentration risk and residual risk

Policy Administration

The Chief Risk Officer (CRO) is the custodian of the Risk Governance Policy and for its maintenance. The Chief Risk Officer must ensure that the best governance practices in Risk Management are regularly implemented and updated as a policy directive. The CRO shall review the policy at least on an annual basis, or on an ad-hoc basis in case of changes in market conditions, regulatory guidelines, etc. The mandate for the ad-hoc review may also come from the Board of Directors and the Risk Management Committee of the Board.

The Board of Directors shall approve the Policy and the amendments recommended to it. Such approvals shall be routed to the Board of Directors through the Risk Management Committee of the Board (RMCB) for approval as per the Board meeting calendar. For the purpose of implementation, the Policy shall come into effect immediately upon receipt of approval from the RMCB.

2. Risk Governance- at Board level

The Bank has set up risk governance framework based on the following key principles:

- While the Board of Directors will be responsible for overall governance and oversight of core risk management activities, execution strategy will be delegated to the Risk Management Committee of the Board (RMCB) and further sub-delegated to management level committees such as Risk Management Committee – Management Committee, Asset Liability Management Committee (ALCO), Mini-

ALCO, Operational Risk Management Committee (ORMC) and Credit Risk Management Committee (CRMC).

- Segregation of duties across the 'three lines of defence' model, whereby front-office functions, risk management & oversight and Internal audit roles are played by functions independent of one another
- Risk strategy is approved by the Board and reviewed on an annual basis or earlier as appropriate and is defined based on the Bank's risk appetite/limit in order to align risk, capital and performance targets

All major risk classes are managed through focused and specific risk management processes; these risks include credit risk, market risk, operational risk, liquidity risk and other pillar II risks. As the Bank gains sophistication in risk management, it shall continuously seek to put in place advanced risk management models commensurate with its size, scale and complexity.

The Risk department / function shall have appropriate representation on management committees of the Bank and its respective businesses to ensure risk view is taken into consideration in business decisions. Risk monitoring, stress testing tools and escalation processes shall be established to monitor the performance against approved risk appetite/limit. The Bank's MIS framework shall provide regular, accurate and timely information on the Bank's aggregate risk profile, as well as the main assumptions used for risk aggregation. MIS should be adaptable and responsive to changes in the Bank's underlying risk assumptions and should incorporate multiple perspectives of risk exposure to account for uncertainties in risk measurement.

Based on the above guiding principles, the risk governance framework of the Bank comprises of the following²:

² The activities mentioned under each sub vertical is inclusive and not exhaustive



2.1 The Board of Directors

- 1) The Board of the Bank has overall responsibility, including culture, governance framework and approving as well as overseeing management's implementation of the Bank's strategic objectives. Directors have responsibilities to the Bank's overall interests, regardless of who appoints them³.
- 2) As part of overall governance framework, the Board is responsible for overseeing a strong risk governance framework. A risk governance framework shall include well defined organisational responsibilities for risk management, typically referred to as 'three lines of defence'⁴ viz.
 - First line of defence - the business line;
 - Second line of defence - a risk management function and a compliance function independent from the first line of defence; and

³ BCBS –Corporate governance principles for banks, July 2015 – para # 56

⁴ BCBS –Corporate governance principles for banks, July 2015 – para # 38

- Third line of defence - an internal audit independent from the first and second lines of defence

Factoring the Bank's nature, size, complexity and risk profile of its activities, the composition, responsibilities and reporting lines shall be as under:

Line of defence	Responsibilities	Composition
First Line	Business units are the first line of defence. They take risks, are responsible and accountable for ongoing management of such risks. This includes identifying, assessing, reporting such exposures considering the Bank's risk appetite, its policies, procedures and controls. The way business line executes its responsibilities shall reflect the Bank's existing risk culture. The Board shall promote a strong culture of adhering to limits and managing risk exposures	<p>All revenue generating verticals and associated support functions within the Bank.</p> <p>For Example: The Bank's Micro banking vertical is a revenue generating vertical and therefore is a first line. The verticals which supports this vertical such as finance, credit, HR, Operations, Service Quality, Digital Banking and Information Technology etc. are also collectively categorized as First Line of defence.</p> <p>Special note on Finance function: The finance function, inter alia, plays a critical role in ensuring that business performance is accurately recognised and reported to the board, management as well as business lines that will use such information as a key input to risk as well as business decisions. Therefore, even though being part of the first line of defence, the finance function shall have sufficient authority, stature, independence, resources and access to the board</p>
Second Line	The second line of defence includes an independent and effective risk management function . The risk management function complements the first line of defence through its monitoring and reporting responsibilities. Among other things, it is responsible for overseeing the Bank's risk-taking activities, assessing risks and issues independently from the first line of defence. The function shall promote importance of business line managers i.e. those having revenue generating	<p>All personnel reporting directly and indirectly to the Chief Risk Officer.</p> <p>All personnel reporting directly and indirectly to the Chief Compliance Officer.</p>

	<p>responsibilities, in identifying and assessing risks critically rather than relying only on surveillance conducted by the risk management function. The function shall have sufficient authority, stature, independence, resources and access to the board</p> <p>The second line of defence also includes an independent and effective compliance function. The compliance function shall, inter alia, routinely monitor compliance with all applicable statutes, governance rules, regulations, codes and policies. The Board/sub-committee of the Board shall approve compliance related policies that are communicated to all staff. The compliance function shall assess extent to which policies are observed and inform to the first line of defence as well as the board on how the Bank is managing its 'compliance risk'. The function shall also have sufficient authority, stature, independence, resources and access to the board</p>	
Third line	<p>The third line of defence consists of an independent internal audit function. An internal audit function, among other things provides independent review together with objective assurance on effectiveness of the Bank's first and second lines of defence. Internal auditors must be competent, appropriately trained and not involved in developing, implementing or operating the first or second line of defence functions. As for the vigilance function, its main objective is to assist the Board to achieve its goal by ensuring that all transactions are carried out as per systems, procedures while minimising the scope of malpractices/misconduct and misuse of funds</p>	All personnel reporting directly and indirectly to the Head of Internal Audit.

- 3) The Board shall approve the Risk Governance Framework. An effective risk governance framework must be operated through:
- i) A strong risk culture as enumerated in clause 2 of this policy
 - ii) A well-developed risk appetite articulated through a Risk Appetite Statements (RAS⁵)
 - iii) Well-defined responsibilities for internal control functions and assurance functions including risk management.

4) Risk Appetite Framework (RAF)- Role of the Board

The Board shall take an active role in defining the risk appetite, ensuring its alignment with the Bank's strategic, capital, financial plans and compensation practices. The Bank's Risk Appetite shall be defined by considering the competitive along with regulatory landscape as well as the Bank's long-term interests, risk exposure and ability to manage risk effectively. The Bank's RAF shall be clearly conveyed through a Risk Appetite Statements (RAS) that can be easily understood by all relevant parties viz., the Board itself, senior management, employees and the Regulator. The Bank's RAS shall:

- Include both quantitative and qualitative considerations;
- Establish types of risk both at an individual and aggregate level that the Bank is willing to assume in advance to achieve its business activities within its risk capacity;
- Define the boundaries and business considerations in accordance with which the Bank is expected to operate when pursuing its business strategy; and
- Communicate the Board's risk appetite effectively throughout the bank, linking it to daily operational decision-making, establishing means to raise risk issues and strategic concerns across the bank.

The development of an effective RAS shall be primarily driven by a top-down from Board leadership with adequate management involvement. While leadership for setting up the risk governance framework will rest with the risk management vertical, successful implementation depends upon effective interactions between the board, senior management, operating businesses, finance function and risk management. The Board or through the Risk Management Committee of the Board (RMCB) must oversee the Bank's adherence to the RAS, risk policy and risk limits

- The Board shall approve and oversee the implementation of key policies pertaining to the bank's risk management, capital adequacy assessment process including capital raising plans, liquidity plans, compliance policies/obligations, and the internal control system/s

⁵ Risk Appetite Statement (RAS) is a written articulation of the aggregate level and types of risk that a bank will accept, or avoid, to achieve its business objectives. It includes quantitative risk measures expressed relative to earnings, capital, liquidity and other relevant measures as appropriate. It shall also include qualitative statements to address reputation and conduct risks, risks from unethical practices as well as money laundering.

- The Board shall ensure that the second and third lines of defence are properly positioned, staffed, resourced to carry out their responsibilities independently, objectively as also effectively. In the Board's oversight of the risk governance framework, the Board shall regularly review key policies and controls with senior management. The reviews shall include the heads of second and third lines of defence. These reviews shall identify significant risks, determine areas that need improvement and undertake remedial measures where needed.
- Ensure that the Bank's operates within its stated Risk Appetite Framework as specified in respective policies.
- The Board shall structure itself in terms of leadership, size and the use of committees to effectively carry out its oversight role/other responsibilities pertaining to Risk Management. One such important structure and practice is through the formation of the Risk Management Committee of the Board.

2.2. Risk Management Committee of the Board (RMCB)

To ensure that the Bank has a sound system of risk management and internal controls in place, the Board has established the RMCB. The decision on policy changes/recommendation for implementation taken by RMCB will be considered as a 'recommendation of approval' to the Board unless and until the Board or the Committee specifically requires the final decision on a matter to be taken by the RMCB. The policy approvals obtained from RMCB will be placed in the subsequent meeting/s of the Board of Directors for their noting and approval. However, for internal circulation and implementation, the 'recommendation for approval' provided by RMCB will be considered as final. Any changes/modification suggested by the Board will be taken up in the ensuing meeting. The RMCB assists the Board in relation to the oversight and review of the Bank's risk management principles and policies, strategies, appetite, processes and controls.

The Board has delegated authority to the RMCB for oversight and review of the risk management in the Bank. The key responsibilities of the Risk Management Committee of the Board (RMCB) relating to overall risk management of the Bank include:

- Ensure that all the current and future material risk exposures of the Bank are assessed, identified, quantified, appropriately mitigated and managed.
- Establish a framework for the risk management process and to ensure its implementation in the Bank.
- Review and take note of the compliance to the Bank's stated Risk Appetite Framework as specified in respective policies. Ensure that the Bank is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities.
- Review and recommend changes, from time to time, to the Risk Management plan and / or associated frameworks, processes and practices of the Bank.

- Enable compliance with appropriate regulations, wherever applicable, through the adoption of best practices.
- Perform other activities related to this charter as requested by the Board of Directors or to address issues related to any significant subject within its term of reference.
- Evaluate overall risks faced by the bank and determining the level of risks which will be in the best interest of the bank.
- Identify, monitor and measure the risk profile of the Bank.
- To recommend the approval of ICAAP document and its associated policies to the Board for onward submission to RBI.
- Develop policies and procedures, verify the models that are used for pricing complex products, review the risk models as development takes place in the markets and also identify new risks.
- Design stress scenarios to measure the impact of unusual market conditions and monitor variance between the actual volatility of portfolio value and that predicted by the risk measures.
- Monitor compliance of various risk parameters by operating Departments.
- Review the outsourcing functions of the Bank.
- Review of risk management practices, procedures and systems to ensure that same are adequate to limit all potential risks, faced by the bank to prudent levels (Annually). (Risk Management Framework to be reviewed for adequacy).
- Limit Management Framework to be defined by outlining of the tolerance limits. Any exceptions and breaches to be reported on a quarterly basis. and
- Overview the functions and performance of the Risk Management Committee of the management.
- The Risk Management Committee also oversees the following functions:

Outsourcing Function

- Approving a framework to evaluate the risks and materiality of all existing and prospective outsourcing and the policies that apply to such arrangements.
- Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, and safety and soundness.
- Deciding on business activities of a material nature to be outsourced and approving such arrangements.

ESG aspects:

- To define specific commitments, goals and targets to be set by the Bank in terms of ESG parameters along-with performance assessment parameters for the same.

- To approve and oversee the implementation of the Bank level policy on the ESG parameters.
- To ensure that the business of the Bank is being carried out in concurrence to the applicable principles of the 'National Guidelines on Responsible Business Conduct'(NGBRCs), as follows:
 - a. Businesses should conduct and govern themselves with integrity, and in a manner that is Ethical, Transparent and Accountable.
 - b. Businesses should provide goods and services in a manner that is sustainable and safe.
 - c. Businesses should respect and promote the well-being of all employees, including those in their value chains.
 - d. Businesses should respect the interests of and be responsive to all its stakeholders.
 - e. Businesses should respect and promote human rights.
 - f. Businesses should respect and make efforts to protect and restore the environment.
 - g. Businesses, when engaging in influencing public and regulatory policy, should do so in a manner that is responsible and transparent.
 - h. Businesses should promote inclusive growth and equitable development.
 - i. Businesses should engage with and provide value to their consumers in a responsible manner.
 - j. To approve the reporting done by the Bank to regulatory authorities, such as but not limited to SEBI, RBI, MCA etc. on the ESG parameters.

Management Supervisory Function

- Monitoring of the exposures (both credit and investment) by the Bank, review of the adequacy of the risk management process and up gradation thereof, internal control systems and ensuring compliance with the statutory / regulatory framework.

The RMCB will be supported by the following Management Level Committees to facilitate effective execution of the above responsibilities:

- Asset Liability Management Committee (ALCO)
- Operational Risk Management Committee (ORMC)
- Credit Risk Management Committee (CRMC)
- Enterprise Risk Management Committee (ERMC)
- National Controls and Compliance Committee- a platform for deliberations amongst Chief Risk Officer, Chief Compliance and Head of Internal Audit.
- Risk Management Department (RMD)

2.3. Large Value Fraud Committee (LVFC)

The Bank has constituted a Fraud Committee in accordance with RBI guidelines to monitor and follow up cases of frauds involving amounts in excess of Rs. 1 (One) Crores and to review a report on the Red Flagged Accounts (RFA) and follow-up of Frauds (SCBF) providing, inter alia, a synopsis of the remedial action taken together with their current status.

3. Management Level Risk Committees:

3.1. Enterprise Risk Management Committee (ERMC)- formerly RMC- Management Level

ERMC is responsible for having an oversight on day to day governance aspects, risk and compliance posture and management and in providing recommendations to the RMCB. The roles and responsibilities of the ERMC are as below. The details of the Committee are as below:

Chairperson	Managing Director and Chief Executive Officer (CEO)
Convenor	Chief Risk Officer
Permanent members	<ul style="list-style-type: none">• Chief Operating Officer (COO),• Chief Vigilance Officer (CVO),• Head of Internal Audit,• Chief Compliance Officer (in advisory role),• Chief Credit Officer (CCrO),• Chief Business Officer (CBO)• Chief Financial Officer
Invitees, if required	Business Heads and any other invitee as deemed necessary by the Committee Chairperson
Quorum⁶	4
Majority of approvals required for policy/process level enhancements/changes	2/3 rd majority of available quorum
Frequency	Bi-Monthly
Roles and responsibilities	<ul style="list-style-type: none">• Responsible for establishing systems and implementing processes related to identification, assessment, measurement, control, monitoring and reporting of credit, operational, Market & ALM, liquidity, interest rate risks and other standalone and transverse material risks in the Bank.• Identification of new material/emerging risk(s) through research based approach culminating

1. ⁶ the minimum number of members of Committee that must be present at any of its meetings to make the proceedings of that meeting valid.

	<ul style="list-style-type: none"> • To have oversight on ESG/sustainability initiatives and corporate climate goals along with a review of associated risks until such time an independent ESG Committee is established at management level. • Ensure appropriate risk organisation structure with authority and responsibility clearly defined, adequate staffing, and the independence of Risk Management functions. • Manage risk in line with the risk appetite and tolerance structure. • Ensure necessary resources are available to perform risk management related activities • Control and monitor all risks on a firm wide basis within the approved risk parameters • Ensuring that the risk management policy/s and standards are complete, effectively maintained and clearly communicated. • Review reports from stakeholders and also discretions conferred on the senior management, in order to oversee the effectiveness of them. • Update and closure of observations of Reserve Bank of India, External Auditors and other statutory bodies • Open issues from Internal Audit of the Bank • Compliance, AML and KYC updates • Oversight of the ICAAP process including challenging the ICAAP and its underlying assumptions • Reviewing the scope of coverage of the stress testing framework, risk factors, stress scenarios and the levels of stress applied • Any other matter/s with the permission of the Chairperson
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3.2. Credit Risk Management Committee (CRMC)

The Bank has in place the Credit Risk Management Committee in accordance with RBI requirements

Chairperson	Managing Director and Chief Executive Officer (CEO)
Convenor	Chief Risk Officer
Permanent members	<ul style="list-style-type: none"> • Chief Business Officer • Chief Credit Officer • Chief Operating Officer • Chief Vigilance Officer • Chief Compliance Officer (in advisory role)
Invitees, if required	Any other Invitee as deemed necessary by the committee
Quorum	4

Majority of approvals required for policy/process level enhancements/changes	2/3 rd of available quorum
Frequency	Bi-monthly
Roles and responsibilities	<ul style="list-style-type: none"> • Report to the Board/RMCB on credit risk profile and all related areas along with emerging risks affecting credit and investment portfolio. • Review and approve key changes to credit & Collection Policies and keeping an oversight on the implementation of Policies • Reviewing and approving changes to the Credit Risk Management Policy and associated policies and ensuring implementation of the credit risk management policy as approved by the Board • Formulation, review and implementation of risk appetite as per direction given by the RMCB • Monitor credit risks on a bank wide basis and ensure compliance with the board approved risk parameters/prudential limits and monitor risk concentrations. • Review status of portfolio management, loan review mechanism, risk monitoring and evaluation, regulatory/legal compliance, adequacy of provision, risk concentrations, industry reviews and suggest corrective measures • Review and approve all rating system validation results to assess efficacy and effectiveness of model performance and the need for any adjustments, and placing recommendations before RMCB • Review and approve the use of internal risk rating systems for business and risk management purposes and placing recommendations before the RMCB • Review and manage potential risks which may arise from regulatory changes/ or changes in macro/macro-economic / political environment in order to keep pace with the required changes • Any other matters with the permission of the Chairperson

3.3. Asset Liability Management Committee (ALCO)

The Bank has in place the Asset Liability Management Committee in accordance with RBI requirements

Chairperson	Managing Director and Chief Executive Officer (CEO)
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Convenor	Chief Risk Officer
Permanent members	<ul style="list-style-type: none"> • Chief Business Officer • Chief Operating Officer • Chief Financial Officer • Head of Treasury • Head of Branch Banking, TASC & TPP • Head of Financial Institutions Group • Head-FIG Liabilities & Trade Finance • Chief Compliance Officer (in advisory role)
Invitees, in required	National Manager-Investor Relations, Financial Planning & Strategy Any other Invitee as deemed necessary by the committee
Quorum	5
Majority of approvals required for policy/process level enhancements/changes	2/3 rd of available quorum
Frequency	Monthly
Roles and responsibilities	<ul style="list-style-type: none"> • Formulate an Asset Liability Management Policy to assure adequate liquidity and capital to achieve long term objective. • Define structure, responsibilities and controls for managing liquidity risk and oversee the liquidity positions of all the branches. • Identify the mix of incremental assets and liabilities based on the desired maturity profile. • Ensure adequacy of cash flow projections and assumptions used. • Review liquidity stress test scenarios including assumptions and results of such tests and put in place a Contingency Funding Plan (CFP). • Review ALM policy on a periodic basis and make recommendation to the Board for changes, if any. • Ensure adequacy of skilled resources to handle liquidity risk management function and ensure operational independence of the function. • Identify events that could have an impact on market and public perception about its soundness and reputation. • Review of behavioral analysis of deposits, payables and concentration of deposits. • Review of Trading Book and observations of Treasury Middle Office. • Review of Fund Transfer Pricing • Review of PSL portfolio of the Bank and its compliance;

	<ul style="list-style-type: none"> • Review of interest rates on advances and deposits • To ensure adherence to the limits set by the Board and Regulator as well as for deciding the business strategy of the bank (on the assets and liabilities sides) in line with the bank's budget and decided risk management objectives. • Balance sheet planning from risk-return perspective including the strategic management of interest rate and liquidity risks. • Determine the Treasury Front, Middle and Back office Management strategies of the bank • To include product pricing for both deposits and advances, desired maturity profile of the incremental assets and liabilities, etc. • To review the results of and progress in implementation of the decisions made in the previous meetings. • To articulate the current interest rate view of the bank and base its decisions for future business strategy on this view. • To decide on source and mix of liabilities or sale of assets. • To develop a view on future direction of interest rate movements and decide on a funding mix. • Review and approve the Bank's MCLR and EBLR rates on monthly basis.
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3.4. Operational Risk Management Committee (ORMC)

The Bank has in place the Operational Risk Committee in accordance with RBI requirements:

Chairperson	Managing Director and Chief Executive Officer (CEO)
Convenor	Chief Risk Officer
Permanent members	Chief Business Officer Chief Operating Officer Chief Financial Officer Chief Information Officer Head of Internal Audit Chief Vigilance Officer National Manager Operations Risk (Permanent Invitee) Chief Compliance Officer (in advisory role)
Invitees, in required	Any other Invitee as deemed necessary by the committee
Quorum	4
Majority of approvals required for policy/process level enhancements/changes	2/3 rd of available quorum

Frequency	Quarterly
Roles and responsibilities	<ul style="list-style-type: none"> • Review and approve policies, products / processes / systems & procedures etc. involving Operational Risk, Fraud Risk and IT&IS Risk elements introduced from time to time • Review the risk profile, understand future changes and threats, and prioritize action steps • Review and approve the development and implementation of risk methodologies and tools, including assessments, reporting, capital and loss event databases • Review, test, and approve suitable controls/ mitigation measures for managing Operational Risk, Fraud Risk and IT&IS Risk • Promote a risk awareness culture within the Bank and communicate to business areas and staff, the importance of Operational Risk Management • Ensure adequate resources are being assigned to mitigate and manage risks as needed.

3.5. Information Security Committee:

The Bank has in place the Information Security Committee in accordance with RBI requirements

Chairperson	Managing Director and Chief Executive Officer (CEO)
Convenor	Chief Information Security Officer (CISO)
Permanent members	<ul style="list-style-type: none"> • Chief Risk Officer • Chief Information Officer • Head of Digital Banking • Chief Technology Officer (Interim CTO) • Chief Compliance Officer (in advisory role)
Invitees, if required	Invitee as deemed necessary by the committee
Quorum	3
Majority of approvals required for policy/process level enhancements/changes	2/3 rd of available quorum
Frequency	Quarterly
Roles and responsibilities	<ul style="list-style-type: none"> • Oversee Information and Cyber security from a Bank wide perspective.

	<ul style="list-style-type: none"> • Ensure alignment of security programme with organisational objectives. • Developing and facilitating the development of Information security policies, procedures, guidelines to manage information security risks. • Monitoring Information (Cyber) security projects. • Reviewing Information (Cyber) security incidents and various assessments. • Assessing new developments or issues relating to Information (Cyber) security. • Reviewing the status of security awareness programmes. • Reporting to the Board of Directors on information security activities
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3.5. National Controls and Compliance Committee:

Composition	Chairperson & Convenor: Chief Risk Officer
Members	Chief Compliance Officer Chief Credit Officer Head of Internal Audit Chief Vigilance Officer Chief Information Security Officer Invitee as deemed necessary by the committee
Invitees	Invitee as deemed necessary by the committee
Quorum	4
Majority of approvals required for policy/process level enhancements/changes	2/3 rd of available quorum
Roles & Responsibilities	The Committee will carry out the following minimum responsibilities to discuss, as illustrated below: <ul style="list-style-type: none"> ➤ Key issues of respective control functions. Committee to arrive at resolution through consensus. In case of any exception i.e. if a decision is not reached during the meeting, the issue shall be referred to MD&CEO for directions

- Review of activity involving two or more departments to be acting in synchronised manner.
- Overdue Risk Issues reported by Risk team.
- Overdue Audit issues reported from Audit team.
- Key observation from Internal Audit reports assessed as 'Needs Improvement' and 'Unsatisfactory'.
- The reports concerning the status of all significant information technology projects
- Exceptional nature of Frauds & Incidents reported in the Bank and to discuss the RCA and suggest improvisation, if any.
- The development, implementation and maintenance of the Bank's Information Security program.
- Review of Security incidents (P1 and P2) reported.
- The exceptional reports from management regarding extensions and denials of credit.
- Collaboratively assess and discuss periodically the Bank's credit risk tolerance parameters;
- The Bank's credit and collateral risk position and trends;
- Regions having high Portfolio at Risk of sudden increase in NPAs.
- The audit and risk findings on new Vendors on-boarded for period one year and above.
- Periodic Compliance Risk assessments and any significant Compliance Breach or suspected compliance violation.
- Status of overdue RBI AFI Risk Mitigation Points (RMP) and other observations.
- Overdue Compliance issues originating from Compliance monitoring and Testing, as these also indicate areas of Compliance breach or potential /suspected Regulatory Compliance violation.
- Penalties imposed by Regulator during the Quarter and review of the Internal controls on those matters to ensure adherence to Regulatory guidelines
- Any other matter that may be decided by the permanent members

In addition, to the above:

The Committee shall perform other duties assigned by the Board or (MD&CEO), if any, from time to time.

RECEIVING ASSISTANCE

In carrying out its responsibilities, the Committee may rely on the assistance, advice, and recommendations of Bank management and other advisors, as needed, and may refer specific matters to other committees of the Board. The Committee has the authority to retain staff and outside counsel, independent accountants, or other outside consultants at the expense of the Bank. In addition, the Committee may rely on the assistance of Bank staff as needed to perform ministerial or administrative functions

REPORTING & MONITORING:

The Committee shall:

- Report its activities and recommendations to the CEO & MD through the Convenor.
- The CRO to provide a quarterly update to the Board on the Committee's work and outcome.
- Track resolution of issues raised

MEDIUM- & LONG-TERM PLANS:

Continuous suggestions to implement controls to strengthen internal controls of the Bank and to ensure regulatory compliance.

3.6. Risk Management Department (RMD) and Chief Risk Officer

The Chief Risk Officer and the Risk Management Department (RMD) along with its units (Credit risk unit, Operational risk unit, Market risk and ALM unit and Information Security) will be responsible for implementation of the overall risk governance policy.

The roles and responsibilities of the Chief Risk Officer is furnished in the Bank's Policy on recruitment of Chief Risk Officer, Chief Vigilance Officer and Head of Compliance. The Chief Risk Officer will be classified as a 'Material Risk Taker' only until next FY 2023-24

The Roles and responsibilities of the RMD are as below:

- Responsible for establishing systems and implementing processes related to identification, assessment, measurement, control, monitoring and reporting of credit, operational, market & ALM, liquidity, interest rate risks, information security and other material risks within the Bank.
- Maintain oversight over established limits to the risk appetite and tolerance statements.

- Ensure co-ordination & communication between staff responsible for managing various risks (first line) and those who are responsible for outsourcing and procurement of services.
- Monitor all risks on a firm wide basis within the approved risk parameters and highlight breaches, if any to relevant stakeholders.
- Ensuring that the risk management policy and standards are complete, effectively maintained and clearly communicated.
- Review the risk related policies are updated at least on an annual basis in compliance to RBI regulations and internal events
- Effectively communicate risk management policy to key stakeholders
- Prepare necessary reports for various management committees and Board/RMCB covering areas of identification, measurement, mitigation and monitoring.
- Provides periodic trainings to organization's employees to generate awareness and communicate any updates about Operational risk management and Credit risk management.
